



**SIMI VALLEY UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

SIMI VALLEY UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Simi Valley Unified School District
Simi Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Simi Valley Unified School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Simi Valley Unified School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 1 and 15 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 19 and budgetary comparison and other postemployment benefit information on pages 66 and 67, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Simi Valley Unified School District's basic financial statements. The accompanying supplementary information such as the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of the Simi Valley Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Simi Valley Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 15, 2014

SIMI VALLEY UNIFIED SCHOOL DISTRICT



BUSINESS & FACILITIES
Ron Todo
Assistant Superintendent

Board of Education
Scott Blough
Rob Collins
Bill Daniels
Debbie Sandland
Dan White

This section of Simi Valley Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014, with comparative information from 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Simi Valley Unified School District.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resource measurement focus using the accrual basis of accounting. These statements include all assets of the District (including land and buildings) as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Proprietary Funds* are prepared using the economic resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Funds* only report a balance sheet and do not have measurement focus.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Simi Valley Unified School District.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net position and changes in them. Net position is the difference between assets and liabilities, one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities* we present the District activities as follows:

Governmental Activities

The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides.

Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in a separate *Statement of Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$149.5 million for the fiscal year ended June 30, 2014. Of this amount, \$4.3 million was unrestricted. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use the net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)

	Governmental Activities	
	2014	As restated 2013
Assets		
Current and other assets	\$ 132.3	\$ 160.5
Capital assets, net	217.1	211.6
Total Assets	<u>349.4</u>	<u>372.1</u>
Liabilities		
Current liabilities	23.0	40.4
Long-term obligations	176.9	178.6
Total Liabilities	<u>199.9</u>	<u>219.0</u>
Net Position		
Net investment in capital assets	123.7	124.2
Restricted	21.5	22.7
Unrestricted	4.3	6.2
Total Net Position	<u>\$ 149.5</u>	<u>\$ 153.1</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 21. Table 2 takes the information from the statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)	Governmental Activities	
	2014	2013
Revenues		
Program revenues:		
Charges for services	\$ 3.0	\$ 3.3
Operating grants and contributions	28.4	24.0
Capital grants and contributions	1.9	5.9
General revenues:		
State and Federal revenue limit sources - unrestricted	81.7	72.4
Property taxes	52.5	57.1
Other general revenues	7.2	10.6
Total Revenues	<u>174.7</u>	<u>173.3</u>
Expenses		
Instruction related	124.9	126.2
Student support services	17.3	17.6
Administration	8.9	7.1
Plant services	16.4	11.7
Other	10.7	12.7
Total Expenses	<u>178.2</u>	<u>175.3</u>
Change in Net Position	<u>\$ (3.5)</u>	<u>\$ (2.0)</u>

Governmental Activities

As reported in the *Statement of Activities* on page 21, the cost of all of our governmental activities this year was \$178.2 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$52.5 million because the cost was paid by those who benefited from the programs \$3.0 million or by other governments and organizations who subsidized certain programs with grants and contributions \$30.3 million. We paid for the remaining "public benefit" portion of our governmental activities with \$88.9 million in, State funds and with other revenues, like interest and general entitlements.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

In Table 3, we have presented the cost of each of the District's eight largest functions: instruction, school administration, pupil transportation, food services, other student support services, administration, plant services, and other, as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Amounts in millions)

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 110.9	\$ 87.5	\$ 112.4	\$ 90.7
School administration	13.9	13.4	13.7	13.2
Pupil transportation	3.5	3.4	3.3	1.9
Food services	5.3	0.6	5.2	1.0
Other student support services	8.6	6.8	9.2	7.0
Administration	8.9	8.3	7.1	6.7
Plant services	16.4	15.4	11.7	10.6
Other	10.7	9.4	12.7	10.9
Total	\$ 178.2	\$ 144.8	\$ 175.3	\$ 142.0

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$110.4 million, which is a decrease of \$10.1 million from last year.

Table 4

	Balances and Activity			
	July 1, 2013	Revenues	Expenditures	June 30, 2014
General Fund	\$ 11,768,596	\$ 151,489,829	\$ 150,105,208	\$ 13,153,217
Adult Education Fund	4,989,643	5,942,396	8,722,871	2,209,168
Building Fund	80,360,711	2,989,188	12,444,515	70,905,384
Non-Major Governmental Funds	23,428,357	20,098,152	19,367,391	24,159,118
Total	\$ 120,547,307	\$ 180,519,565	\$ 190,639,985	\$ 110,426,887

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

The primary reasons for these changes are the following:

1. Our General Fund is our principal operating fund. The fund balance in the General Fund increased from \$11.8 million to \$13.2 million. This recognized increase is mainly due to:
 - The 2013-2014 fiscal year is the first year of the new Local Control Funding Formula for public education, a shift from the old Revenue Limit Formula. Overall, K-12 funding was cut by nearly 20 percent in 2008-2009, and funding for education has remained at or below that level through 2012-2013. Given the additional constraints due to declining enrollment and significant program decreases and cuts to revenues, the District continued to experience deficit spending in 2013-2014 in the amount of \$.8 million (down from prior year level of \$8.9 million). This level of deficit spending is significantly lower than prior years due to an increase in State funding and material decreases to expenditures, plus a large \$3.0 million one-time transfer-in from the Adult Education Fund. To help balance the budget and minimize deficit spending, the Board of Education implemented cost-cutting measures when possible. Position and program changes have been kept to a minimum over prior year, substitute costs were decreased as much as possible, unfilled vacant positions were released, a retirement incentive program was offered, significant attrition savings realized, HMO/PPO medical plan changes were implemented, employee co-pays were continued, site and department savings were realized. Significant tightening of the budget was required to meet the State standards *and* criteria multi-year projection certification.
2. The Adult Education Special Revenue Fund generated a net decrease to fund balance from the prior year of \$2.8 million (mainly due to a \$ 3.0 million flex transfer to the Unrestricted General Fund). Excluding the transfer out to the Unrestricted General Fund, the Adult Education Fund would not have experienced deficit spending.

The Deferred Maintenance Special Revenue Fund had a net increase from the prior year of \$525,405 mainly due to State revenues exceeding expenditures.
3. The District is progressing with Bond building projects and modernization, even though State modernization funding has been slow in coming due to the State's sluggish economic recovery. For current year approved projects, the District did receive modernization funding in the amount of \$1.9 million. The General Obligation Bond projects at various school sites expended approximately \$5.9 million, and modernization expenditures were \$.5 million from the County School Facilities Fund, as appropriate.
4. Developer fees were used for various modernization projects, with expenditures of \$0.82 million. Revenues did not exceed expenditures, resulting in a decrease in fund balance over the prior year of \$0.45 million.
5. The Bond Interest and Redemption Fund ending balance increased over the prior year by \$421,245 due to property tax collections that offset the debt payment.
6. The Self-Insured Workers' Compensation Fund ending balance decreased by \$1,026,829 over the prior year. The Self-Insured Medical Fund ending balance increased over prior year by \$296,371. Both Funds have partially funded GASB liabilities.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. Final amendments to the budget were approved in June 24, 2014, upon year-end closing. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received has been provided in our annual report on page 66.)

- Revenue revisions made to the 2013-2014 budget were mainly due to significant funding changes recognized after the budget adoption, including an increase to the Local Control Funding Formula mainly due to an increase in the State growth to target factor, Prop 30 increase to sales taxes and income taxes.
- Federal revenues increased due to prior year deferred revenues and program carry-forwards in Title I, Title II, Title III, Medi-Cal and MAA.
- State revenues had increases in funding due to prior year deferred revenues and program carry-forwards for Lottery and other miscellaneous programs. Revenue decreases were posted due to enacted legislation.

Local revenues reflect adjustments mainly for changes in interest earnings rates, use of facilities receipts, school gift funds, field trip receipts, Education Foundation, ROP contract with County and Special Education tuition bill-back for court ordered students in foster homes and licensed children's institutions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had a net of \$217.2 million in a broad range of capital assets, including land, buildings, construction in progress, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$5.6 million, or 2.65 percent, from last year.

Table 5

(Amounts in millions)

	Governmental Activities	
	2014	2013
Land	\$ 17.3	\$ 17.3
Construction in progress	23.9	22.0
Buildings and improvements, site improvements, net	169.8	168.0
Furniture and equipment, net	6.2	4.3
Total	\$ 217.2	\$ 211.6

This year's net additions of \$5.6 million (including depreciation) included bond and modernization projects at several sites, building improvements, two new buses, asphalt paving, irrigation, carpeting, kitchen upgrades, storm drainage, plumbing, painting, re-roofing, copier equipment, telecommunication system, virtual classroom hardware and software, and network upgrades.

A number of capital projects were completed during the fiscal year. The District budgeted multi-year bond projects to be approximately \$10 million to start the 2013-2014 year (excluding depreciation). We present more detailed information about our capital assets in Note 4 to the financial statements.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Long-Term Obligations

At the end of this year, the District had \$176.9 million in long-term obligations. Those obligations consisted of:

Table 6

(Amounts in millions)

	Governmental Activities	
	2014	2013
General obligation bonds	\$ 68.1	\$ 68.9
General obligation bonds Financing Authority	90.4	91.3
General obligation bond premiums	1.3	1.6
General obligation bond premiums Financing Authority	3.2	3.5
Certificates of participation	9.6	10.2
Compensated absences	0.6	0.4
OPEB obligation	3.7	2.7
Total	\$ 176.9	\$ 178.6

The District's general obligation bond rating continues to be "AAA" (with insurance). The State limits the amount of general obligation debt that district's can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$68.1 million is significantly below the statutorily - imposed limit.

We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2013-2014 ARE NOTED BELOW:

The District continues to support and monitor student achievement, as measured by State and federally mandated assessments, including the California High School Exit Exam (CAHSEE), the California Alternate Performance Assessment (CAPA), and the California English Language Development Test (CELDT).

School Report Accountability

In school year 2013-2014, a one year waiver was given to Local Education Agencies (LEAs) to participate in the Smarter Balance Field Test. Since legislation prohibited the release of student data from the field test, no assessment results were available for elementary and middle schools. The 2014 AYP was based solely on the 10th grade California High School Exit Exam (CAHSEE), the California Alternate Performance Assessment (CAPA), and cohort graduation rates.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Graduation Rates

The 2015 Target Class of 2013-2014 at Royal High School had 490 graduates with a graduation rate of 89 percent which is a decrease of one percent from the previous year. Santa Susana High School had 265 graduates with a graduation rate of 89 percent which is a decrease of 3 percent, and Simi Valley High School had 523 graduates with a graduation rate of 88 percent which remained relatively the same with an increase of .42 percent

Accountability Progress Reporting

Using the metrics of participation rate, CAHSEE/CAPA scores, and overall cohort graduation rates, Royal High School, Simi Valley High School and Santa Susana High Schools did not meet their AYP targets. Royal High School met the overall Participation Rate, but did not meet the criteria in the following areas: ELA Target, Math Target, or Graduation Rate. Santa Susana met the Participation Rate, ELA Target, and Graduation Rate but did not meet AYP based upon failing to meet the ELA Target. Simi Valley High School met the Participation Rate, ELA Target, Math Target, but did not meet the Graduation Rate. Both RHS and SVHS did not meet the target rate in the subgroup, "Socioeconomically Disadvantaged" which resulted in the schools not making their overall graduation rates.

Program Improvement

On March 7, 2014, The US Department of Education approved California's waiver for certain statutory requirements of Title I, Part A of the ESEA. Specifically, a one-time waiver was granted that allows flexibility in making AYP determinations for schools and LEAs participating in the Smarter Balanced Field Test. The CDE did not produce a 2014 AYP Report for elementary and middle schools and elementary and unified school districts. Therefore, the PI status for these schools and districts will not change, nor will schools enter or exit PI status.

The District will remain in Year 3+ of Program Improvement, and with this we will be a Year 3 corrective action. All four of the Districts Title I schools have Program Improvement status. Santa Susana will be in Year 1, Abraham Lincoln will be in Year 3, and Berylwood and Park View will be in Year 5 Program Improvement. Title schools received a Program Improvement Technical Assistance grant to improve services.

AMAO

The District did not meet the Annual Measurable Achievement Objectives (AMAOs) as measured by the Title III program accountability report standards as follows:

AMAO 1 - The percent of students making annual progress in learning English: The target for AMAO 1 was 59 percent of the students progressing one or more levels. District students did not meet this objective at 56.0 percent, missing the Federal target by only 3 percent.

AMAO 2 - The percent of students' achieving English proficiency each year as measured by the CELDT. The target for Cohort 1 (students attending U.S. schools for less than five years) attaining English proficiency was 22.8 percent, District students exceeded this target at 24 percent. Cohort 2 (students attending U.S. schools for more than five years) had an English proficiency target goal of 49 percent; District students did not exceed the Federal target with 46.9 percent. By missing the target in Cohort 2, the district is considered to not have met target for AMAO 2.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

AMAO 3- The district met participation rates in ELA and Math. The district also met graduation requirements for ELLs. The state used the previous year's CST to determine targets for students reaching proficient in ELA and math. The District did not meet the targets for percent proficient in ELA and math.

On March 2, 2004, the voters passed Measure C4 authorizing the District to issue general obligation bonds totaling \$145,000,000 for the purpose of funding the design, construction, and modernization of District facilities. The District has issued all of these general obligation bonds. Approved project spending is closely monitored by an Independent Citizens' Oversight Committee.

In 2013-2014, the Board of Education approved a Technology Improvement Plan that was presented to them by the District Technology Committee. The plan includes three phases, the first of which was implemented in 2013-2014. In the current year, Technology Improvement Plan projects included installation of district-wide Wi-Fi, migration from Novel to Microsoft, and 1-1 Pilot test of tablet devices in 40 classrooms. Teachers began receiving laptops capable of handling classroom technology. Plans and specifications were developed for improvements to computer labs at each school site. These labs will help support computer-based assessment as we implement Common Core Standards in the 2014-2015 school year. The funding for this phase of implementation came from C-4 Bond funds, not from the District's general fund.

The C4 Bond Program Department completed modernization projects at Santa Susana High School, Simi Valley Adult School & Career Institute, and Vista Elementary School. New offices and training facilities were completed at the Transportation Department and Bus Yard. A project that will replace water pipes at Sinaloa Middle School is under way, and the project for district-wide upgrades to door hardware for increased security is nearing completion. Construction commenced on the White Oak Elementary School Modernization Project; Seismic Retrofit Project at Madera, Crestview, and Sycamore Elementary Schools; HVAC Replacement at Big Springs and Vista Elementary Schools and on replacement of the Kindergarten portable building at Hollow Hills Elementary School. Construction began on a project that installed new asphalt pavement at seven of the district's schools and on replacement of site gas piping at Big Springs, Township, and Sycamore Elementary Schools. Construction of Royal High School Track & Synthetic Field has begun, which is partially funded by the C4 Bond.

The Maintenance and Operations Department completed 7,681 work orders at 30 school sites with 19 maintenance workers on staff.

Under the recommendation of the Surplus Property Committee, three properties have been declared surplus by the Board of Education. All three properties have been offered to public agencies and subsequently offered to the public in accordance with Education Code section 17464. One property, Wood Ranch Conference Center, is now in escrow. The remaining two parcels have gone through the bid process with no responding offers.

In the 2013-2014 fiscal year, the Facilities department has updated the five-year Deferred Maintenance plan and it is on file. The department completed several Deferred Maintenance projects that were started in the previous fiscal year, including roofing projects at three school sites.

The Food Services department continues to be self-supporting even during these economically trying times.

Daily average lunches served 7,030
Daily average breakfast served 1,030
Free and reduced approximately 28 to 32 percent

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

The Food Services Department was certified by the State to receive an additional \$0.06 per meal. This was accomplished by meeting the outlined criteria for meal pattern requirements.

The Food Services Department participated in the summer in the Park program for a second year. Free meals and drinks were served to anyone 18 years and under; many children enjoyed playing in the park and eating lunch. An average of 350 meals was served daily. This program is subsidized with Federal funds and has become a great resource for our community.

Due to the 2013-2014 future implementation of the Local Control Funding Formula, (which rolls all prior year Adult Education Block Grant Funding into the Unrestricted General Fund) the Adult Education program has continued to cut back school operating expenses. The Adult Education program will continue to downsize their program, in anticipation of the establishment of a county-wide consortium, beginning with the 2015-2016 fiscal year.

During the months of May and June each year, the District finalizes its adopted budget for the coming year. In order to project the budget, a series of assumptions about the conditions of the District must be determined. These assumptions are then inserted into the State and District formulas in order to determine the final budget for the next year.

The accuracy of the District's budget projection for the next year is only as good as the assumptions that are used in developing the budget. If the assumptions are wrong, so too will be the budget. As a consequence, the assumptions - at least the primary ones - have to be carefully considered in evaluating the accuracy of next year's income and expense. Often, the assumptions for budget development are revised several times during a fiscal year.

Since it is impossible to accurately predict the assumptions that are needed in budget development, Simi Valley School District updates its budget, and assumptions, three times after the original budget is adopted. The assumptions are updated with a revision that occurs within 45 days after the adoption of the State Budget and with two interim reports that are delivered to the Board of Education in December and March of each fiscal year.

In considering the District Budget for the 2014-2015 year, the District Board and management used the following criteria:

The key assumptions in our 2014-2015 Adopted Budget revenue forecast are:

1. The adopted budget included a Local Control Funding Formula (LCFF) amount equal to a 28.06 percent Economic Recovery Target or approximately \$5.9 million over prior year funding levels. This amount was subsequently increased at 1st Interim Budget Revision equal to a 29.56 percent Economic Recovery Target for a net increase over prior year of \$6.3 million.
2. Six and one half percent LCFF Supplemental funding is included of the adjusted grant per ADA. The LCFF Supplemental funding percentage is expected to be 33.16 percent.
3. The District is not eligible for LCFF Concentration funding.
4. K-3 and 9-12 Grade Span funding is included for class size reduction. This assumes no class size penalties with the negotiated class size of 26:1 and 185:1.
5. LCFF Categorical funded projects are equal to \$20,635,926.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

6. A cut of six Certificated and three Classified work furlough days was included in the adopted budget and remain in the budget at 1st Interim Budget Revision, subject to a negotiated Memo of Understanding for both certificated and classified employees. However, further negotiations are ongoing in recognition of potential General Fund structural operating deficits in future multi-year projections.
7. Employee co-pay contributions for those eligible for Health and Welfare benefits continue, as in prior year, at approximately ten percent of total Health and Welfare premium costs. In addition, co-pay for spouses were included at \$125 per month.
8. Student enrollment to decrease from prior year by approximately 550 students, due to the state of the economy, unemployment and housing market. (Actual LCFF funding based on prior year average daily attendance per grade level; however, multi-year projections are negatively affected.)
9. Due to new LCFF funding formula, the Adult Education Block Grant funds and Deferred Maintenance apportionments will be apportioned to the Unrestricted General Fund and subsequently transferred to the appropriate "committed" Adult Education Fund and Deferred Maintenance Fund for their general program purpose. In the budget year, the Adult Education Fund has contributed to the unrestricted General Fund \$2,000,000 and the Deferred Maintenance Fund has contributed \$215,514.
10. Estimated lottery receipts at \$156.00 per annual ADA (\$126.00 unrestricted; \$30.00 restricted).
11. CalPERS' school employer rate of 11.771 percent is included in the adopted budget (per new LCFF funding formula, revenue limit CalPERS reduction rate was eliminated in 2013-2014).
12. Interest earnings are estimated at .4 percent and California CPI is estimated at 2.1 percent.
13. Developer fee collections are based on significantly lower estimated new housing units to be constructed due to the declining economy, current housing market, and lower building permit trends.
14. Special Education is budgeted with a .85 percent COLA, with negative growth due to the continuing decline in total ADA which results in a decrease to funding of approximately \$499.32 per Special Ed ADA or \$276,124. District level funding for Special Education is expected to decline by approximately \$36,412 below prior year levels due to various funding adjustments (COLA, declining enrollment, etc.). A County-wide agreement was reached to retain mental health services funding at the SELPA level, for this fiscal year. The District may be required to directly pay for these services in the future, at significant cost to the General Fund.
15. Federal funds are expected to remain fairly consistent with the population of qualified students remaining stable.
16. MAA Administrative Services Program (Medicaid-eligible students with disabilities) was implemented in 2007. This Special Education reimbursement billing process generated cash receipts of \$82,701 in 2013-2014. Funding has been slow to trickle in due to both Federal and State audits of the entire program which froze apportionments until late in the fiscal year. As funding permits, the program will be expanded to include additional practitioner staff. Currently, this revenue source is funded by the Department of Health Care Services.
17. Routine restricted maintenance set-aside requirements reduced to zero until June 30, 2015.
18. Suspension of Deferred Maintenance local match requirements until June 30, 2015.
19. Suspension of instructional materials adoption requirement until June 30, 2015.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Expenditures are based on the following forecasts:

1. Board policy limiting capital outlay in the unrestricted General Fund remains in effect.
2. No salary schedule increases have been included in the Adopted Budget; negotiations are unsettled at this time. Step and column increases are included in the budget at an estimated \$1.2 million. The District has not included any attrition savings in the adopted budget.

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through third*	26:1	5,257
Grades four through six	31:1	3,969
Grades seven through eight	32:1	2,805
Grades nine through twelve	32:1	5,904

*The Districts four Title schools are staffed at 22:1

In 2012-2013, the District implemented a new Transitional Kindergarten program which will be integrated with traditional kindergarten classes. Two additional teaching positions were established for this program. Additional ADA realized from this program will help future year revenue. No additional ADA revenue will be realized in the budget year, due to overall declining enrollment. The District is funded on 2013-2014 ADA which is greater than prior year ADA.

Items to be addressed in the budget are:

California public education has been on a rollercoaster funding cycle for the last several years. In the early 1990s, California's recession led to almost no increase per ADA funding for four years. In 2000-2001, the State Budget provided per ADA increases of close to 11 percent, but then, for the next three years education funding rollbacks re-emerged. The volatility of funding has plagued school district planning for almost a generation and has continued to worsen. Since 2007, State funding has continued a downward slide due to a severe economic recession. In the past, State funding deficits were up to 22.272 percent of what is owed to school districts. In addition, the State has deferred apportionment payments, which continues to plague districts in meeting their financial obligations.

Approximately 90 percent of the District's revenue is determined by the State of California and, in turn, State revenues are determined by the growth in the economy. The Governor's Office for 2012-2013 continued to acknowledge the growing State budget crisis, identifying a June 2013 deficit of approximately \$15.7 billion, if left unaddressed. As a result, the Governor's 2012-2013 mid-year budget proposed Proposition 30 which passed in the November election. The Great Recession of 2008 resulted in cuts to general purpose funding of 14 percent and cuts to Categorical programs of 20 percent. Currently, the proposed new State Local Control Funding Formula has promised increases in the 2013-2014 through 2021-2022 fiscal years based on economic recovery targeted amounts. The 2013-2014 Budget Act, Assembly Bill (AB) 97 enacted the most sweeping revision to California's school finance system since SB 90 more than 40 years ago. The new Local Control Funding Formula attempts to balance the needs of students defined by their characteristics with subsequent resources.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business and Facilities, Simi Valley Unified School District, 875 E. Cochran, Simi Valley, California, 93065, or e-mail at: ron.todo@simivalleyusd.org.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2014

	Governmental Activities
ASSETS	
Deposits and investments	\$ 116,625,433
Receivables	15,318,601
Stores inventories	353,173
Prepaid expenditures	24,790
Capital assets	
Land and construction in progress	41,154,840
Other capital assets	324,388,252
Less: accumulated depreciation	(148,428,231)
Capital assets, net of accumulated depreciation	<u>217,114,861</u>
Total Assets	<u><u>349,436,858</u></u>
LIABILITIES	
Accounts payable	10,194,552
Interest payable	2,433,432
Unearned revenue	277,755
Claims liability	10,123,379
Long-term obligations	
Current portion of long-term obligations	4,945,000
Noncurrent portion of long-term obligations	<u>171,952,488</u>
Total Long-Term Obligations	<u>176,897,488</u>
Total Liabilities	<u><u>199,926,606</u></u>
NET POSITION	
Net investment in capital assets	123,713,088
Restricted for:	
Debt service	7,239,197
Capital projects	7,283,018
Educational programs	6,995,982
Unrestricted	<u>4,278,967</u>
Total Net Position	<u><u>\$ 149,510,252</u></u>

The accompanying notes are an integral part of these financial statements.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction	\$ 105,134,777	\$ 300,505	\$ 19,456,617	\$ 1,956,063	\$ (83,421,592)
Instruction related activities:					
Supervision of instruction	4,891,706	30,257	1,720,441	-	(3,141,008)
Instructional library, media, and technology	954,543	4,641	37,636	-	(912,266)
School site administration	13,918,453	22,577	530,191	-	(13,365,685)
Pupil services:					
Home-to-school transportation	3,506,155	3,901	87,459	-	(3,414,795)
Food services	5,221,292	1,748,371	2,905,627	-	(567,294)
All other pupil services	8,615,558	49,229	1,739,003	-	(6,827,326)
Administration:					
Data processing	1,798,199	-	-	-	(1,798,199)
All other administration	7,169,809	100,468	493,045	-	(6,576,296)
Plant services	16,366,876	181,093	776,900	-	(15,408,883)
Ancillary services	1,348,959	14,563	29,276	-	(1,305,120)
Community services	440,027	6,132	5,824	-	(428,071)
Enterprise services	2,169	124	117	-	(1,928)
Interest on long-term obligations	8,589,432	-	-	-	(8,589,432)
Other (outgo)	260,049	569,379	594,533	-	903,863
Total Governmental Activities	\$ 178,218,004	\$ 3,031,240	\$ 28,376,669	\$ 1,956,063	(144,854,032)
General Revenues and Subventions:					
Property taxes, levied for general purposes					41,741,933
Property taxes, levied for debt service					9,934,912
Taxes levied for other specific purposes					771,592
Federal and State aid not restricted to specific purposes					81,741,622
Interest and investment earnings					254,622
Interagency revenues					267,449
Miscellaneous					6,595,984
Subtotal, General Revenues					141,308,114
Changes in Net Position					(3,545,918)
Net Position - Beginning					158,292,082
Restatement					(5,235,912)
Net Position - Beginning (As Restated)					153,056,170
Net Position - Ending					\$ 149,510,252

The accompanying notes are an integral part of these financial statements.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014**

	General Fund	Adult Education Fund	Building Fund
ASSETS			
Deposits and investments	\$ 5,625,463	\$ 1,442,350	\$ 73,724,466
Accounts receivable	14,460,605	303,890	181,287
Due from other funds	397,710	890,591	-
Stores inventories	240,161	-	-
Prepaid expenditures	5,434	-	19,356
Total Assets	\$ 20,729,373	\$ 2,636,831	\$ 73,925,109
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,227,145	\$ 257,269	\$ 3,013,711
Due to other funds	1,149,799	170,394	6,014
Unearned revenue	199,212	-	-
Total Liabilities	7,576,156	427,663	3,019,725
Fund Balances:			
Nonspendable	330,895	700	19,355
Restricted	5,518,288	511	70,886,029
Committed	1,820,256	2,207,957	-
Unassigned	5,483,778	-	-
Total Fund Balances	13,153,217	2,209,168	70,905,384
Total Liabilities and Fund Balances	\$ 20,729,373	\$ 2,636,831	\$ 73,925,109

The accompanying notes are an integral part of these financial statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ 24,576,014	\$ 105,368,293
97,666	15,043,448
126,720	1,415,021
113,012	353,173
-	24,790
<u>\$ 24,913,412</u>	<u>\$ 122,204,725</u>
\$ 614,046	\$ 10,112,171
61,705	1,387,912
78,543	277,755
<u>754,294</u>	<u>11,777,838</u>
113,012	463,962
22,701,463	99,106,291
1,344,643	5,372,856
-	5,483,778
<u>24,159,118</u>	<u>110,426,887</u>
<u>\$ 24,913,412</u>	<u>\$ 122,204,725</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Fund Balance - Governmental Funds		\$ 110,426,887
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	\$ 365,543,092	
Accumulated depreciation is:	<u>(148,428,231)</u>	217,114,861
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest in long-term obligations is recognized when it is incurred.		(2,433,432)
An internal service fund is used by the District's management to charge the costs of the workers' compensation and medical benefits insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.		1,299,424
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	158,500,061	
Premium on bonds issued	4,557,222	
Certificates of participation payable	9,575,000	
Compensated absences (vacations)	565,419	
Other postemployment benefits	<u>3,699,786</u>	(176,897,488)
Total Net Position - Governmental Activities		<u><u>\$ 149,510,252</u></u>

The accompanying notes are an integral part of these financial statements.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Adult Education Fund	Building Fund
REVENUES			
Local Control Funding Formula	\$ 116,108,376	\$ 3,921,679	\$ -
Federal sources	6,054,746	187,373	-
Other State sources	13,771,340	2,028	-
Other local sources	12,522,700	1,831,316	975,069
Total Revenues	<u>148,457,162</u>	<u>5,942,396</u>	<u>975,069</u>
EXPENDITURES			
Current			
Instruction	96,449,972	2,684,960	-
Instruction related activities:			
Supervision of instruction	4,430,817	192,684	-
Instructional library, media, and technology	894,941	-	-
School site administration	11,337,003	1,715,756	-
Pupil services:			
Home-to-school transportation	3,304,174	-	-
Food services	276,479	-	-
All other pupil services	8,008,489	225,574	-
Administration:			
Data processing	1,725,352	-	-
All other administration	5,860,444	24,856	-
Plant services	14,489,553	760,227	86,329
Facility acquisition and construction	176,845	-	11,968,864
Ancillary services	1,286,046	-	-
Community services	329,047	86,147	-
Other outgo	260,049	-	-
Enterprise services	2,169	-	-
Debt service			
Principal	-	-	389,322
Interest and other	502,236	-	-
Total Expenditures	<u>149,333,616</u>	<u>5,690,204</u>	<u>12,444,515</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>(876,454)</u>	<u>252,192</u>	<u>(11,469,446)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	3,032,667	-	1,953,259
Other sources	-	-	60,860
Transfers out	(771,592)	(3,032,667)	-
Net Financing Sources (Uses)	<u>2,261,075</u>	<u>(3,032,667)</u>	<u>2,014,119</u>
NET CHANGE IN FUND BALANCES	<u>1,384,621</u>	<u>(2,780,475)</u>	<u>(9,455,327)</u>
Fund Balances - Beginning	<u>11,768,596</u>	<u>4,989,643</u>	<u>80,360,711</u>
Fund Balances - Ending	<u>\$ 13,153,217</u>	<u>\$ 2,209,168</u>	<u>\$ 70,905,384</u>

The accompanying notes are an integral part of these financial statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ 600,000	\$ 120,630,055
3,082,798	9,324,917
2,252,990	16,026,358
13,379,859	28,708,944
<u>19,315,647</u>	<u>174,690,274</u>
-	99,134,932
-	4,623,501
-	894,941
-	13,052,759
-	3,304,174
4,727,100	5,003,579
-	8,234,063
-	1,725,352
233,423	6,118,723
433,103	15,769,212
1,349,589	13,495,298
-	1,286,046
-	415,194
-	260,049
-	2,169
4,521,050	4,910,372
6,149,867	6,652,103
<u>17,414,132</u>	<u>184,882,467</u>
<u>1,901,515</u>	<u>(10,192,193)</u>
771,592	5,757,518
10,913	71,773
<u>(1,953,259)</u>	<u>(5,757,518)</u>
<u>(1,170,754)</u>	<u>71,773</u>
730,761	(10,120,420)
23,428,357	120,547,307
<u>\$ 24,159,118</u>	<u>\$ 110,426,887</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

Total Net Change in Fund Balances - Governmental Funds \$ (10,120,420)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which capital outlay exceeds depreciation in the period.

Capital outlay	\$ 13,809,874	
Depreciation expense	<u>(8,278,062)</u>	5,531,812

An internal service fund is used by the District's management to charge the costs of the unemployment compensation insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities. (730,458)

Loss on disposal of capital assets is reported in the government-wide financial Statement of Net Position, but is not recorded in the governmental funds. (2,579)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was less than the amounts earned by \$192,190. (192,190)

In the Statement of Activities Other Postemployment Benefits Obligations (OPEB) are measured by an actuarially determined Annual Required Contribution (ARC). In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts contributed toward the OPEB obligation were less than the ARC by \$1,005,126. (1,005,126)

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

Amortization of debt premium		481,373
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The accompanying notes are an integral part of these financial statements.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES (Continued) FOR THE YEAR ENDED JUNE 30, 2014

Repayment of long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	\$ 3,330,000	
General obligation bonds - Financing Authority	985,000	
Certificates of participation	<u>605,000</u>	
Combined adjustment		\$ 4,920,000

The accretion of interest on capital appreciation bonds is not recognized in the governmental funds, but it increases long-term obligations in the Statement of Net Position and increases interest expense in the Statement of Activities.

(2,525,226)

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the net result of prior year and current year interest accrued.

96,896

Change in Net Position of Governmental Activities \$ (3,545,918)

The accompanying notes are an integral part of these financial statements.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014**

	Governmental Activities		
	Internal Service Funds		
	Workers' Compensation	Medical	Total
ASSETS			
Current Assets			
Deposits and investments	\$ 7,872,107	\$ 3,385,033	\$ 11,257,140
Receivables	31,712	243,441	275,153
Due from other funds	4,141	128,347	132,488
Total Current Assets	<u>7,907,960</u>	<u>3,756,821</u>	<u>11,664,781</u>
LIABILITIES			
Current Liabilities			
Accounts payable	39,491	42,890	82,381
Claim liabilities	7,728,602	2,394,777	10,123,379
Due to other funds	64,458	95,139	159,597
Total Current Liabilities	<u>7,832,551</u>	<u>2,532,806</u>	<u>10,365,357</u>
NET POSITION			
Unrestricted	75,409	1,224,015	1,299,424
Total Net Position	<u>\$ 75,409</u>	<u>\$ 1,224,015</u>	<u>\$ 1,299,424</u>

The accompanying notes are an integral part of these financial statements.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	Governmental Activities		
	Internal Service Funds		
	Workers' Compensation	Medical	Total
OPERATING REVENUES			
Local and intermediate sources	\$ 2,642,881	\$ 14,195,780	\$ 16,838,661
OPERATING EXPENSES			
Payroll costs	249,000	91,430	340,430
Professional and contract services	3,446,290	13,814,483	17,260,773
Supplies and materials	727	-	727
Total Operating Expenses	<u>3,696,017</u>	<u>13,905,913</u>	<u>17,601,930</u>
Operating Gain (Loss)	<u>(1,053,136)</u>	<u>289,867</u>	<u>(763,269)</u>
NONOPERATING REVENUES			
Interest income	26,307	6,504	32,811
Change in Net Position	(1,026,829)	296,371	(730,458)
Total Net Position - Beginning	1,102,238	927,644	2,029,882
Total Net Position - Ending	<u>\$ 75,409</u>	<u>\$ 1,224,015</u>	<u>\$ 1,299,424</u>

The accompanying notes are an integral part of these financial statements.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

	Governmental Activities		
	Internal Service Funds		
	Workers' Compensation	Medical	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from assessments made to other funds	\$ 3,193,650	\$ 13,464,607	\$ 16,658,257
Cash payments to employees for services	(249,000)	(91,430)	(340,430)
Cash payments for insurance claims	(3,217,111)	(13,075,118)	(16,292,229)
Cash payments for other operating expenses	(727)	-	(727)
Net Cash Provided by (Used in) Operating Activities	(273,188)	298,059	24,871
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	26,307	6,504	32,811
Net Increase (Decrease) in Cash and Cash Equivalents	(246,881)	304,563	57,682
Cash and Cash Equivalents - Beginning	8,118,988	3,080,470	11,199,458
Cash and Cash Equivalents - Ending	<u>\$ 7,872,107</u>	<u>\$ 3,385,033</u>	<u>\$ 11,257,140</u>
CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating gain (loss)	\$ (1,053,136)	\$ 289,867	\$ (763,269)
Adjustments to reconcile operating gain (loss) to net cash provided by (used in) operating activities:			
Changes in assets and liabilities:			
Receivables	10,898	(207,118)	(196,220)
Due from other funds	(3,315)	(127,976)	(131,291)
Accounts payable	9,384	28,363	37,747
Claims liability	771,500	330,512	1,102,012
Due to other funds	(8,519)	(15,589)	(24,108)
Net Cash Provided by (Used in) Operating Activities	\$ (273,188)	\$ 298,059	\$ 24,871

The accompanying notes are an integral part of these financial statements.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 1,635,710
Receivables	8,901
Stores inventories	142,693
Total Assets	<u><u>\$ 1,787,304</u></u>
 LIABILITIES	
Accounts payable	\$ 191,408
Due to student groups	1,595,896
Total Liabilities	<u><u>\$ 1,787,304</u></u>

The accompanying notes are an integral part of these financial statements.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Simi Valley Unified School District (the District) was formed in 1936, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and Federal agencies. The District operates twenty-one elementary schools, three middle schools, three high schools, an alternative education program, one adult school, and one continuation high school.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt, or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Simi Valley School Financing Authority's (the Authority) financial activity is presented in the financial statements in the Building Fund and the Financing Authority Debt Service Fund. General obligation refunding bonds issued by the Authority are included as long-term obligations in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Simi Valley School Financing Authority.

Other Related Entities

Public Entity Risk Pools and Joint Powers Authorities The District is associated with one risk pool and two joint powers authorities. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

- Ventura County Schools Self-Funding Authority (VCSSFA)
- York Risk Services Group (YRSA)
- Ventura County Fast Action School Transit Authority (VCFAST)

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Capital Project Funds The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

COP Facilities Fund The COP Facilities Fund is used to account for the ongoing redevelopment agency deposits and district contributions for debt retirement and expenditures of approved projects of school stadiums, gymnasiums, tennis courts, MPR and Quad upgrade and stadium restructuring.

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Financing Authority Debt Service Fund The Financing Authority Debt Service Fund is used to account separately for the debt service activity and the assets available for the repayment of debt of the Financing Authority.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Fund Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates two internal service funds, medical benefits, and workers' compensation.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the District and for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, when applicable, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, that have not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2014, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight line method.

Fund Balances - Governmental Funds

As of June 30, 2014, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes. The District currently does not have any assigned funds.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$21,518,197 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are self-insurance premiums for insurance cost. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities column of the statement of activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Ventura bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013, by \$5,235,912. The decrease results from no longer deferring and amortizing bond issuance costs.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 116,625,433
Fiduciary funds	1,635,710
Total Deposits and Investments	<u>\$ 118,261,143</u>

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 2,886,339
Cash in revolving	161,000
Investments	115,213,804
Total Deposits and Investments	<u>\$ 118,261,143</u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities through the last scheduled payment of the certificates of participation debt.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the Ventura County Investment Pool to provide the cash flow and liquidity needed for operations.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Days</u>
Ventura County Investment Pool	\$ 109,286,233	290*
First American Treasury Obligations	5,675,885	31
Total	<u>\$ 114,962,118</u>	

* Average days to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the county pool and investment agreement are not required to be rated, nor have they been rated as of June 30, 2014. The First American Treasury Obligation Investment is rated "Aaa-mf" by Moody's Investor's Service.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District's bank balances are collateralized in accordance with State law.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Adult Education Fund	Building Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Federal Government							
Categorical aid	\$ 2,085,883	\$ 143,455	\$ -	\$ 69,820	\$ -	\$ 2,299,158	\$ -
State Government							
State principle apportionment	8,325,420	-	-	-	-	8,325,420	-
Categorical aid	2,231,517	-	-	3,975	-	2,235,492	-
Lottery	1,531,379	-	-	-	-	1,531,379	-
Local Government							
Interest	11,930	2,898	181,287	21,859	275,153	493,127	-
Other local sources	274,476	157,537	-	2,012	-	434,025	8,901
Total	<u>\$ 14,460,605</u>	<u>\$ 303,890</u>	<u>\$ 181,287</u>	<u>\$ 97,666</u>	<u>\$ 275,153</u>	<u>\$ 15,318,601</u>	<u>\$ 8,901</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 17,254,066	\$ -	\$ -	\$ 17,254,066
Construction in progress	21,997,790	6,042,933	4,139,949	23,900,774
Total Capital Assets Not Being Depreciated	<u>39,251,856</u>	<u>6,042,933</u>	<u>4,139,949</u>	<u>41,154,840</u>
Capital Assets Being Depreciated				
Land improvements	25,351,757	10,394	-	25,362,151
Buildings and improvements	268,465,375	8,927,008	-	277,392,383
Furniture and equipment	18,722,686	2,969,488	58,456	21,633,718
Total Capital Assets Being Depreciated	<u>312,539,818</u>	<u>11,906,890</u>	<u>58,456</u>	<u>324,388,252</u>
Less Accumulated Depreciation				
Land improvements	15,210,663	950,580	-	16,161,243
Buildings and improvements	110,598,615	6,187,416	-	116,786,031
Furniture and equipment	14,396,768	1,140,066	55,877	15,480,957
Total Accumulated Depreciation	<u>140,206,046</u>	<u>8,278,062</u>	<u>55,877</u>	<u>148,428,231</u>
Governmental Activities Capital Assets, Net	<u>\$ 211,585,628</u>	<u>\$ 9,671,761</u>	<u>\$ 4,142,528</u>	<u>\$ 217,114,861</u>

Depreciation expense was charged as a direct expense to governmental activities functions as follows:

Governmental Activities	
Instruction	\$ 5,470,144
Supervision of instruction	197,846
Instructional library, media, and technology	59,602
School site administration	655,623
Home-to-school transportation	145,694
Food services	217,713
All other pupil services	307,116
Data processing	72,847
All other administration	193,707
Plant services	870,024
Ancillary services	62,913
Community services	24,833
Total Depreciation Expenses All Activities	<u>\$ 8,278,062</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2014, between major and non-major governmental funds and internal service fund are as follows:

Due To	Due From					Total
	General Fund	Adult Education Fund	Building Fund	Non-Major Governmental Funds	Proprietary Funds	
General Fund	\$ -	\$ 170,394	\$ 6,014	\$ 61,705	\$ 159,597	\$ 397,710
Adult Education Fund	890,591	-	-	-	-	890,591
Non-Major Governmental Funds	126,720	-	-	-	-	126,720
Internal Service Funds	132,488	-	-	-	-	132,488
Total	<u>\$ 1,149,799</u>	<u>\$ 170,394</u>	<u>\$ 6,014</u>	<u>\$ 61,705</u>	<u>\$ 159,597</u>	<u>\$ 1,547,509</u>

A balance of \$890,541 is due to the Adult Education Fund from the General Fund for LCFF expenditures.

A balance of \$170,394 is due to the General Fund from the Adult Education Fund for flex spending expenditures.

A balance of \$128,347 is due to the Medical Self-Insurance Fund from the General Fund to cover 2013-2014 support salaries.

A balance of \$126,720 is due to the Deferred Maintenance (Non-Major Governmental) Fund from the General Fund for post balance of LCFF expenditures.

A balance of \$159,597 is due to the General Fund from the Self-Insurance Fund to cover 2013-2014 support salaries.

All remaining balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Operating Transfers

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Transfer To	Transfer From			Total
	General Fund	Adult Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 3,032,667	\$ -	\$ 3,032,667
Building Fund	-	-	1,953,259	1,953,259
Non-Major Governmental Funds	771,592	-	-	771,592
Total	<u>\$ 771,592</u>	<u>\$ 3,032,667</u>	<u>\$ 1,953,259</u>	<u>\$ 5,757,518</u>

The General Fund transferred to Special Reserve (Non-Major) Fund for Capital Outlay for COP debt payments.	\$ 771,592
The Adult Education Fund transferred to the General Fund for one time Adult Education excess reserve transfers of unrestricted funds for ongoing operation expenses.	3,032,667
The County School Facilities Fund (Non-Major) transferred to the Building Fund for modernization projects.	<u>1,953,259</u>
Total	<u>\$ 5,757,518</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consisted of the following:

	General Fund	Adult Education Fund	Building Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Funds	Fiduciary Funds
Vendor payables	\$ 107,068	\$ 24,434	\$ 1,534,601	\$ 351,017	\$ 82,381	\$ 2,099,501	\$ 191,408
Salaries and benefits	5,567,021	232,835	-	263,029	-	6,062,885	-
Construction	-	-	1,479,110	-	-	1,479,110	-
Due to Grantor Governments	553,056	-	-	-	-	553,056	-
Total	\$ 6,227,145	\$ 257,269	\$ 3,013,711	\$ 614,046	\$ 82,381	\$ 10,194,552	\$ 191,408

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2014, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 121,601	\$ -	\$ 121,601
State categorical aid	77,191	-	77,191
Other local	420	78,543	78,963
Total	\$ 199,212	\$ 78,543	\$ 277,755

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance			Balance	Due in
	July 1, 2013	Additions	Deductions	June 30, 2014	One Year
General Obligation (G.O.) Bonds	\$ 68,924,835	\$ 2,525,226	\$ 3,330,000	\$ 68,120,061	\$ 3,255,000
G.O. Bond Financing Authority	91,365,000	-	985,000	90,380,000	1,035,000
G.O. Bond Premiums	1,566,110	-	249,874	1,316,236	-
G.O. Bond Premiums					
Financing Authority	3,472,485	-	231,499	3,240,986	-
Certificates of Participation	10,180,000	-	605,000	9,575,000	655,000
Compensated Absences	373,229	192,190	-	565,419	-
Other Postemployment Benefits	2,694,660	1,341,687	336,561	3,699,786	-
Total	<u>\$ 178,576,319</u>	<u>\$ 4,059,103</u>	<u>\$ 5,737,934</u>	<u>\$ 176,897,488</u>	<u>\$ 4,945,000</u>

Bonded Debt

General Obligation Bonds, 1998 Refunding Bonds

In August 1998, the District issued \$6,131,757 aggregate principal amount of the General Obligation Bonds, Election of 1998, Refunding of Series C. The Election of 1998, Refunding of Series C Bonds were issued as both current interest and capital appreciation bonds, with the capital appreciation bonds accreting interest to a maturity value of \$2,370,000. The bonds mature through August 1, 2017, with interest rates from 5.55 to 6.80 percent. Proceeds from the sale of the bonds were used to refund the 1989 Series C, General Obligation Bonds. The refunding has resulted in a net savings in future principal and interest payments. At June 30, 2014, the principal balance outstanding was \$1,897,517.

2004 General Obligation Refunding Bonds

In January 2004, the District issued \$16,150,000 principal amount of the 2004 General Obligation Refunding Bonds. The 2004 Refunding Bonds were issued as current interest bonds. The bonds mature through August 1, 2018, with an interest rate of 5.00 percent. Proceeds from the sale of the bonds were used to refund a portion of the February 1, 1996, General Obligation Bonds and pay costs of issuance of the refunding bonds. The refunding has resulted in a net savings in future principal and interest payments. At June 30, 2014, the principal balance outstanding was \$3,990,000.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

General Obligation Bonds, Election of 2004, Series A

In May 2004, the District issued \$59,999,969 aggregate principal amount of the General Obligation Bonds, Election of 2004, Series A. The Election of 2004, Series A Bonds were issued as both current interest and capital appreciation bonds, with the capital appreciation bonds accreting interest to a maturity value of \$6,460,000. The bonds mature through June 1, 2029, with interest rates from 1.60 to 5.92 percent. Proceeds from the sale of the bonds were used to finance specific construction and modernization projects approved by the voters and pay costs of issuance of the bonds. A portion of the issue was refunded in July 2007, with the 2007 District Refunding Bonds. At June 30, 2014, the principal balance outstanding was \$3,512,637, (\$1,460,000 in current interest bonds and \$2,052,637 in capital appreciation bonds).

General Obligation Bonds, Election of 2004, Series B

In November 2005, the District issued \$39,999,199 aggregate principal amount of the General Obligation Bonds, Election of 2004, Series B. The Election of 2004, Series B Bonds were issued as both current interest and capital appreciation bonds, with the capital appreciation bonds accreting interest to a maturity value of \$1,500,000. The bonds mature through August 1, 2018, with interest rates from 3.10 to 4.60 percent. Proceeds from the sale of the bonds were used to finance specific construction and modernization projects approved by the voters and pay costs of issuance of the bonds. A portion of the issue was refunded in July 2007, with the 2007 District Refunding Bonds. At June 30, 2014, the principal balance outstanding was \$1,559,283, (\$500,000 in current interest bonds and \$1,059,283 in capital appreciation bonds).

General Obligation Bonds, Election of 2004, Series C

In October 2007, the District issued \$45,000,619 aggregate principal amount of the General Obligation Bonds, Election of 2004, Series C. The Election of 2004, Series C Bonds were issued as both current interest and capital appreciation bonds, with the capital appreciation bonds accreting interest to a maturity value of \$99,650,000. The bonds mature through August 1, 2032, with interest rates from 4.00 to 5.00 percent. Proceeds from the sale of the bonds were used to finance specific construction and modernization projects approved by the voters and pay costs of issuance of the bonds. At June 30, 2014, the principal balance outstanding was \$57,160,624, (\$10,425,000 in current interest bonds and \$46,735,624 in capital appreciation bonds).

Simi Valley School Financing Authority

In June 2007, the Simi Valley School Financing Authority issued \$95,675,000 principal amount of the 2007 General Obligation Revenue Bonds. The bonds mature through August 1, 2027, with interest rates from 3.70 to 5.00 percent. Proceeds from the sale of the bonds were used to purchase a portion of the General Obligation Bonds, Election of 2004, Series B and Series C and pay costs of issuance of the revenue bonds. At June 30, 2014, the principal balance outstanding was \$90,380,000.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2013	Additions/ Accreted Interest	Redeemed and Refunded	Bonds Outstanding June 30, 2014
Current Interest							
August 6, 1998	2018	5.55-6.65%	\$ 5,385,000	\$ 330,000	\$ -	\$ 330,000	\$ -
January 12, 2004	2019	5.00%	16,150,000	5,115,000	-	1,125,000	3,990,000
May 12, 2004	2029	1.60-5.06%	59,055,000	2,730,000	-	1,270,000	1,460,000
November 30, 2005	2018	3.10-4.54%	39,505,000	625,000	-	125,000	500,000
October 4, 2007	2025	4.00-5.00%	10,920,000	10,680,000	-	255,000	10,425,000
Financing Authority							
June 27, 2007	2028	3.70-5.00%	95,675,000	91,365,000	-	985,000	90,380,000
Capital Appreciation							
August 6, 1998	2017	6.75-6.80%	746,757	1,989,671	132,846	225,000	1,897,517
May 12, 2004	2029	5.92%	944,969	1,900,590	152,047	-	2,052,637
November 30, 2005	2019	4.56-4.60%	494,199	968,950	90,333	-	1,059,283
October 4, 2007	2033	4.63-4.79%	34,080,619	44,585,624	2,150,000	-	46,735,624
				<u>\$ 160,289,835</u>	<u>\$ 2,525,226</u>	<u>\$ 4,315,000</u>	<u>\$ 158,500,061</u>

Debt Service Requirements to Maturity

Interest due is payable semi-annually. The principal, with respect to the bonds, is payable upon maturity or upon redemption in whole or in part at the corporate trust office of the paying agent. The bonds are issued as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof. The bonds are subject to redemption prior to maturity. The bonds and related interest will be paid by the Bond Interest and Redemption Fund and the Financing Authority Debt Service Fund using local revenues.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

The District's bonds mature through 2033 as follows:

Year Ending June 30,	Current Interest Bonds		Capital Appreciation Bonds		Total
	Principal	Interest	Principal	Future Accreted Interest	
2015	\$ 3,255,000	\$ 746,007	\$ 560,079	\$ 2,627,893	\$ 7,188,979
2016	1,880,000	629,418	519,630	2,727,670	5,756,718
2017	1,000,000	554,844	490,492	2,832,296	4,877,632
2018	1,150,000	500,212	809,679	2,903,304	5,363,195
2019	1,270,000	434,700	576,920	2,971,833	5,253,453
2020-2024	6,045,000	1,287,375	-	17,128,542	24,460,917
2025-2029	1,775,000	44,375	21,961,889	20,200,883	43,982,147
2030-2033	-	-	26,826,372	6,932,520	33,758,892
Total	\$ 16,375,000	\$ 4,196,931	\$ 51,745,061	\$ 58,324,941	\$ 130,641,933

The Financing Authority's bonds mature through 2028 as follows:

Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2015	\$ 1,035,000	\$ 4,493,125	\$ 5,528,125
2016	3,050,000	4,391,000	7,441,000
2017	3,740,000	4,221,250	7,961,250
2018	3,610,000	4,037,500	7,647,500
2019	3,945,000	3,848,625	7,793,625
2020-2024	33,795,000	14,887,875	48,682,875
2025-2028	41,205,000	4,288,625	45,493,625
Total	\$ 90,380,000	\$ 40,168,000	\$ 130,548,000

General Obligation Bond Premiums

The 2004 Refunding, Series 2004 A, Series 2004 B, Series 2004 C, and the 2007 Revenue General Obligation Bonds were issued at premiums of \$1,005,884, \$1,919,125, \$1,068,072, \$1,358,833, and \$4,861,479, respectively. The premiums will be amortized in the government-wide financial statements over the life of the debt issues. Due to the refunding of the Series 2004 B and Series 2004 C noted previously, \$1,731,793 was expensed during 2007-2008. The remaining unamortized premiums for the District-issued general obligation bonds total \$1,316,236 at June 30, 2014. The remaining unamortized premium for the Financing Authority's general obligation bonds was \$3,240,986 at June 30, 2014.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Certificates of Participation

The District entered into a long-term equipment lease on August 1, 1992, with the Ventura County School's Public Facilities Financing Corporation, (the Corporation). The Corporation is a separate entity, which was formed for the sole purpose of acquiring equipment and then leasing such equipment to the District.

The Corporation's funds for acquiring the equipment were generated by the issuance of \$15,310,000 of Certificates of Participation (COPs). (Refunding and Capital Improvement Projects, Series 1998). COPs are long-term obligations instruments, which are tax exempt and are therefore, issued at interest rates below current market levels for taxable investments.

Lease payments are required to be made by the District under the lease on or before the 25th of the month preceding each lease payment date for use and possession of the facilities for the period commencing on February 1, 1998, and terminating August 1, 2022. Interest rates vary from 3.75 to 5.15 percent. The certificates of participation will be paid by the COP Facilities Fund using local revenues.

The certificates mature through 2023 as follows:

Year Ending June 30,	Principal	Interest to Maturity	Total
2015	\$ 655,000	\$ 484,348	\$ 1,139,348
2016	705,000	449,792	1,154,792
2017	770,000	411,073	1,181,073
2018	820,000	369,335	1,189,335
2019	885,000	324,579	1,209,579
2020-2023	5,740,000	639,446	6,379,446
Total	<u>\$ 9,575,000</u>	<u>\$ 2,678,573</u>	<u>\$ 12,253,573</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2014, amounted to \$565,419. Accumulated vacation will be paid by the fund for which the employee worked.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2014, was \$1,206,954, and contributions made by the District during the year were \$211,247. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$134,641 and \$(125,222), respectively, which resulted in an increase to the net OPEB obligation of \$1,005,126. As of June 30, 2014, the net OPEB obligation was \$3,699,786. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Adult Ed Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	\$ 85,300	\$ 700	\$ -	\$ -	\$ 86,000
Stores inventories	240,161	-	-	113,012	353,173
Prepaid expenditures	5,434	-	19,355	-	24,789
Total Nonspendable	<u>330,895</u>	<u>700</u>	<u>19,355</u>	<u>113,012</u>	<u>463,962</u>
Restricted					
Legally restricted programs	5,518,288	511	-	1,477,183	6,995,982
Capital projects	-	-	70,886,029	11,551,651	82,437,680
Debt services	-	-	-	9,672,629	9,672,629
Total Restricted	<u>5,518,288</u>	<u>511</u>	<u>70,886,029</u>	<u>22,701,463</u>	<u>99,106,291</u>
Committed					
Adult education program	-	2,207,957	-	-	2,207,957
Deferred maintenance program	-	-	-	1,344,643	1,344,643
1% additional for reserve	1,486,244	-	-	-	1,486,244
Carryforward allocations	334,012	-	-	-	334,012
Total Committed	<u>1,820,256</u>	<u>2,207,957</u>	<u>-</u>	<u>1,344,643</u>	<u>5,372,856</u>
Unassigned					
Economic uncertainties	4,380,487	-	-	-	4,380,487
Remaining unassigned	1,103,291	-	-	-	1,103,291
Total Unassigned	<u>5,483,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,483,778</u>
Total	<u>\$ 13,153,217</u>	<u>\$ 2,209,168</u>	<u>\$ 70,905,384</u>	<u>\$ 24,159,118</u>	<u>\$ 110,426,887</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 10- POSTEMPLOYMENT HEALTH CARE PLAN AND OPEB OBLIGATION

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Simi Valley Unified School District. The Plan provides medical insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 105 retirees currently receiving benefits and 1,500 active Plan members. Separate financial statements are not prepared for the Plan.

Contribution Information

The contribution requirements of the District are established and may be amended by the District, and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2013-2014, the District contributed \$211,247 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 1,206,954
Interest on net OPEB obligation	134,641
Adjustment to annual required contribution	<u>(125,222)</u>
Annual OPEB cost (expense)	1,216,373
Contributions made	<u>(211,247)</u>
Increase in net OPEB obligation	1,005,126
Net OPEB obligation, beginning of year	<u>2,694,660</u>
Net OPEB obligation, end of year	<u><u>\$ 3,699,786</u></u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2012	\$ 1,150,757	\$ 213,447	18.55%	\$ 2,035,724
2013	1,154,326	211,524	18.32%	2,978,526
2014	1,216,465	211,247	17.37%	3,983,744

Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
November 1, 2013	\$ -	\$ 12,136,863	\$ 12,136,863	0%	\$ 98,997,246	12%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 11 - RISK MANAGEMENT

Medical

As part of the benefits package the District offers a fully funded benefits package. Certificated and management employees may choose to enroll in the District's own self-insured plans. All other employees may enroll in a HMO. The District's plans cover medical, dental, vision, and prescription claims. The District operates a Self-Insurance Fund (an Internal Service Fund) to account for and finance its self-insured risk of loss. Under this program, the Self-Insurance Fund provides coverage up to an individual lifetime maximum of \$1 million for certain benefits, as described in the plan document paid to each person covered under the plan. The District purchases commercial insurance for claims in excess of \$150,000 per year. Settled claims have exceeded this commercial coverage within the past three fiscal years.

All funds with payroll costs participate in the program and make payments to the Medical Self-Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve. The claims liability of \$2,394,777 reported in the fund at June 30, 2014, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability, including incurred but not reported amounts in fiscal years 2014 and 2013 are reported in this note.

Workers' Compensation

The District is exposed to various risks of loss related to injuries to employees. During fiscal year June 30, 2014, the District operated a Workers' Compensation Self-Insurance Fund (an Internal Service Fund) to account for and finance its uninsured risks of loss. The District purchases excess insurance coverage self-insured workers' compensation program with a \$500,000 Self-Insured Retention (SIR) and a statutory limit per occurrence for employer's liability. Settled claims have not exceeded coverage provided by the Southern California Schools Risk Management JPAs in any of the past three fiscal years.

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay prior and current year claims. The claims liability of \$7,728,602 reported in the fund at June 30, 2014, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

The following represents the changes in approximate aggregate liabilities for the District from July 1, 2012 to June 30, 2014:

	Workers' Compensation	Medical	Total
Liability Balance, July 1, 2012	\$ 6,957,102	\$ 1,770,884	\$ 8,727,986
Claims and changes in estimates	2,869,422	16,733,642	19,603,064
Claims payments	2,869,422	16,440,261	19,309,683
Liability Balance, June 30, 2013	6,957,102	2,064,265	9,021,367
Claims and changes in estimates	3,988,611	13,405,630	17,394,241
Claims payments	3,217,111	13,075,118	16,292,229
Liability Balance, June 30, 2014	<u>\$ 7,728,602</u>	<u>\$ 2,394,777</u>	<u>\$ 10,123,379</u>
Assets available to pay claims at June 30, 2014	<u>\$ 7,907,960</u>	<u>\$ 3,756,821</u>	<u>\$ 11,664,781</u>

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS; a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, Sacramento, California 95605.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Funding Policy

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014, was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$5,693,209, \$5,821,259, and \$5,890,167, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to CalPERS; a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$2,715,540, \$2,812,139, and \$2,639,917, respectively, and equal 100 percent of the required contributions for each year.

Social Security

As established by Federal law, all public sector employees who are not members of their employers' existing system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. Part-time employees hired prior to November 1, 1997, buy an alternative retirement plan with Zahoric Company, Inc. New employees hired subsequent to that date are enrolled in social security.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$4,088,984 (5.541 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS) no contributions were made to CalPERS for the year ended June 30, 2014. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2014.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Construction Commitments

As of June 30, 2014, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECTS</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Elementary Schools:		
Arroyo Elementary School	\$ 50,313	September 30, 2016
Atherwood Elementary School	243,144	September 30, 2016
Berylwood Elementary School	88,624	September 30, 2016
Big Springs Elementary School	671,600	September 30, 2016
Crestview Elementary School	321,289	September 30, 2016
Garden Grove Elementary School	147,692	September 30, 2016
Hollow Hills Elementary School	423,181	September 30, 2016
Justin Elementary School	55,866	September 30, 2016
Katherine Elementary School	54,167	September 30, 2016
Knolls Elementary School	52,109	September 30, 2016
Lincoln Elementary School	69,536	September 30, 2016
Madera Elementary School	252,197	September 30, 2016
Mountain View Elementary School	291,521	April 30, 2015
Park View Elementary School	76,952	September 30, 2016
Santa Susana Elementary School	78,339	September 30, 2016
Simi Valley Elementary School	3,932	December 30, 2015
Sycamore Elementary School	456,936	September 30, 2016
Township Elementary School	232,287	September 30, 2016
Vista Elementary School	692,880	September 30, 2016
White Oak Elementary School	1,942,387	May 31, 2015
Wood Ranch Elementary School	60,094	September 30, 2016
Middle Schools:		
Hillside Middle School	167,910	September 30, 2016
Sinaloa Middle School	803,631	September 30, 2016
Valley View Middle School	180,879	September 30, 2016
High Schools:		
Royal High School	1,614,049	September 30, 2016
Santa Susana High School	245,268	September 30, 2016
Simi Valley High School	375,463	December 31, 2015
Apollo Continuation School	70,152	September 30, 2016
Others:		
Adult Education	316,692	September 30, 2016
Monte Vista Independent Study	29,830	September 30, 2016
Transportation	1,826	January 31, 2014
Education Services Building	425,904	September 30, 2016
Undesignated	20,089	February 28, 2017
Total	<u>\$ 10,516,739</u>	

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Ventura County Schools Self-Funding Authority (VCSSFA) public entity risk pool. The District pays an annual premium to the VCSSFA for property liability coverage. The District also belongs to the York Risk Services Group (YRSG) and the Ventura County Fast Action School Transit Authority (VCFAST) joint powers authorities (JPAs). The relationship between the District, the pool, and the JPAs is such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2014, the District made payments of \$819,933, \$228,838, and \$281,458, to VCSSFA, YRSG, and VCFAST, respectively, for services received.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position

Net Position - Beginning	\$ 158,292,082
Restatement/cost of issuance	(5,235,912)
Net Position - Beginning as Restated	<u>\$ 153,056,170</u>

REQUIRED SUPPLEMENTARY INFORMATION

SIMI VALLEY UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
REVENUES				
Local Control Funding Formula	\$ 98,711,574	\$ 116,189,525	\$ 116,108,376	\$ (81,149)
Federal sources	6,309,025	6,470,115	6,054,746	(415,369)
Other State sources	25,018,335	9,790,823	13,771,340	3,980,517
Other local sources	10,416,518	11,977,993	12,522,700	544,707
Total Revenues ¹	<u>140,455,452</u>	<u>144,428,456</u>	<u>148,457,162</u>	<u>4,028,706</u>
EXPENDITURES				
Current				
Certificated salaries	62,177,495	68,654,035	68,527,681	126,354
Classified salaries	24,729,749	24,330,768	24,788,651	(457,883)
Employee benefits	34,368,290	35,733,451	39,368,361	(3,634,910)
Books and supplies	4,273,660	5,275,020	3,434,061	1,840,959
Services and operating expenditures	12,449,646	12,697,335	11,437,471	1,259,864
Capital outlay	305,421	1,162,164	1,275,155	(112,991)
Debt service - interest	-	-	502,236	(502,236)
Total Expenditures ¹	<u>138,304,261</u>	<u>147,852,773</u>	<u>149,333,616</u>	<u>(1,480,843)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,151,191</u>	<u>(3,424,317)</u>	<u>(876,454)</u>	<u>2,547,863</u>
Other Financing Sources (Uses)				
Transfers in	600,000	3,032,667	3,032,667	-
Transfers out	(655,885)	(771,592)	(771,592)	-
Net Financing Sources (Uses)	<u>(55,885)</u>	<u>2,261,075</u>	<u>2,261,075</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>2,095,306</u>	<u>(1,163,242)</u>	<u>1,384,621</u>	<u>2,547,863</u>
Fund Balance - Beginning	<u>11,768,596</u>	<u>11,768,596</u>	<u>11,768,596</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 13,863,902</u>	<u>\$ 10,605,354</u>	<u>\$ 13,153,217</u>	<u>\$ 2,547,863</u>

¹ On behalf payments of \$4,088,984 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
May 4, 2009	\$ -	\$ 8,950,578	\$ 8,950,578	0%	\$ 112,016,980	8%
June 13, 2011	-	12,002,559	12,002,559	0%	139,979,402	9%
November 1, 2013	-	12,136,863	12,136,863	0%	98,997,246	12%

SUPPLEMENTARY INFORMATION

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Advance Placement and International Baccalaureate Test Fee Program	84.330B	15204	\$ 3,626
Adult Education - Basic Grants to States Cluster:			
Adult Basic Education - ABE and ESL Services	84.002A	14508	91,054
Adult Basic Education - Adult Secondary	84.002	13978	36,003
Adult Basic Education - English Literacy and Civics Education	84.002A	14109	60,316
Total Adult Education - Basic Grants to States Cluster			<u>187,373</u>
A/P International Baccalaureate Test Fee Program	84.330B	15204	4,140
No Child Left Behind of 2001 (NCLB)			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	1,482,456
Title I, Part A - Program Improvement LEA Corrective Action	84.010	14957	4,107
Total Title I, Part A Cluster			<u>1,486,563</u>
Improving Teacher Quality State Grants Cluster:			
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	487,354
Title III - Limited English Proficiency Program	84.365	10084	183,065
Passed through Ventura County Special Education Local Plan Area:			
Individuals with Disabilities Education Act (IDEA):			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	2,900,194
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	204,145
Preschool Grants, Part B, Section 619	84.173	13430	103,424
Local Assistance, Part B, Section 611, Private School ISPs	84.027	10115	15,051
Total Special Education Cluster			<u>3,222,814</u>
Total U.S. Department of Education			<u>5,574,935</u>

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13524	\$ 2,375,148
Basic Breakfast	10.553	13525	3,432
Especially Needy Breakfast	10.553	13526	298,837
Meal Supplement	10.555	13396	29,235
Food Distribution	10.555	13524	376,146
Total U.S. Department of Agriculture			<u>3,082,798</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	953,015
Medi-Cal Administrative Activities	93.778	10060	205,185
Total U.S. Department of Health and Human Services			<u>1,158,200</u>
Total Federal Programs			<u>\$ 9,815,933</u>

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2014

ORGANIZATION

The Simi Valley Unified School District was established in 1936, and consists of an area comprising approximately 90 square miles. The District operates twenty-one elementary schools, three middle schools, three high schools, one continuation high school, one alternative education program, and one adult school. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Rob Collins	President	2015
Jeanne Davis	Clerk	2015
Arleigh Kidd	Member	2015
Debbie Sandland	Member	2015
Dan White	Member	2015

ADMINISTRATION

Dr. Jason Peplinski, Ed.D	Superintendent
Daniel Houghton	Assistant Superintendent, Personnel Services
Ron Todo	Assistant Superintendent, Business and Facilities

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2014

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	5,057.39	5,049.80
Fourth through sixth	4,029.70	4,023.55
Seventh and eighth	2,726.73	2,715.00
Ninth through twelfth	5,684.04	5,633.88
Total Regular ADA	<u>17,497.86</u>	<u>17,422.23</u>
Extended Year Special Education		
Transitional kindergarten through third	10.29	10.29
Fourth through sixth	7.24	7.24
Seventh and eighth	3.40	3.40
Ninth through twelfth	10.57	10.57
Total Extended Year Special Education	<u>31.50</u>	<u>31.50</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.44	0.76
Fourth through sixth	3.68	4.16
Seventh and eighth	2.31	2.49
Ninth through twelfth	21.73	23.23
Total Special Education, Nonpublic, Nonsectarian Schools	<u>28.16</u>	<u>30.64</u>
Extended Year Program, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.18	0.18
Seventh and eighth	0.12	0.12
Ninth through twelfth	2.52	2.52
Total Extended Year Program, Nonpublic, Nonsectarian Schools	<u>2.82</u>	<u>2.82</u>
Total ADA	<u>17,560.34</u>	<u>17,487.19</u>

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2014

Grade Level	1986-87	Reduced 1986-87	2013-14	Number of Days		Status
	Minutes Requirement	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	45,845	180	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			54,602	180	N/A	Complied
Grade 2			54,602	180	N/A	Complied
Grade 3			54,602	180	N/A	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			54,602	180	N/A	Complied
Grade 5			54,602	180	N/A	Complied
Grade 6			54,602	180	N/A	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			63,588	180	N/A	Complied
Grade 8			63,588	180	N/A	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			65,712	180	N/A	Complied
Grade 10			65,712	180	N/A	Complied
Grade 11			65,712	180	N/A	Complied
Grade 12			65,712	180	N/A	Complied

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2014.

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

	(Budget)			
	2015 ¹	2014	2013	2012
GENERAL FUND				
Revenues	\$ 142,716,843	\$ 148,457,163	\$ 145,004,381	\$ 148,612,365
Other sources and transfers in	-	3,032,666	-	-
Total Revenues and Other Sources	<u>142,716,843</u>	<u>151,489,829</u>	<u>145,004,381</u>	<u>148,612,365</u>
Expenditures	143,968,443	149,333,616	153,010,518	153,071,015
Other uses and transfers out	655,885	771,592	855,622	762,211
Total Expenditures and Other Uses	<u>144,624,328</u>	<u>150,105,208</u>	<u>153,866,140</u>	<u>153,833,226</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (1,907,485)</u>	<u>\$ 1,384,621</u>	<u>\$ (8,861,759)</u>	<u>\$ (5,220,861)</u>
ENDING FUND BALANCE	<u>\$ 11,245,732</u>	<u>\$ 13,153,217</u>	<u>\$ 11,768,596</u>	<u>\$ 20,630,355</u>
AVAILABLE RESERVES ²	<u>\$ 6,381,037</u>	<u>\$ 5,483,778</u>	<u>\$ 8,121,272</u>	<u>\$ 16,571,631</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	<u>4.41%</u>	<u>3.76%</u>	<u>5.40%</u>	<u>11.03%</u>
LONG-TERM OBLIGATIONS	<u>N/A</u>	<u>\$ 176,897,488</u>	<u>\$ 178,576,319</u>	<u>\$ 180,555,178</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2	<u>17,561</u>	<u>17,560</u>	<u>18,113</u>	<u>18,667</u>

The General Fund balance has decreased by \$7,477,138 over the past two years. The fiscal year 2014-2015 budget projects a further decrease of \$1,907,485 (14.5 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2014-2015 fiscal year. Total long-term obligations have decreased by \$3,657,690 over the past two years.

Average daily attendance has decreased by 1,107 over the past two years. An increase of one ADA is anticipated during fiscal year 2014-2015.

¹ Budget 2015 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund.

³ On behalf payments of \$4,088,984, \$3,589,664, and \$3,648,112, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2014, 2013, and 2012, respectively.

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**BUILDING SUB-FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014**

	2004 General Obligation Bond	1998 General Obligation Bond	Surplus Property	Total Building Fund
ASSETS				
Deposits and investments	\$ 72,192,279	\$ 986,512	\$ 545,675	\$ 73,724,466
Receivables	175,476	846	4,966	181,288
Prepaid expenditures	19,355	-	-	19,355
Total Assets	<u>\$ 72,387,110</u>	<u>\$ 987,358</u>	<u>\$ 550,641</u>	<u>\$ 73,925,109</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,707,276	\$ 191,125	\$ 115,310	\$ 3,013,711
Due to other funds	240	-	5,774	6,014
Total Liabilities	<u>2,707,516</u>	<u>191,125</u>	<u>121,084</u>	<u>3,019,725</u>
Fund Balances:				
Restricted	<u>69,679,594</u>	<u>796,233</u>	<u>429,557</u>	<u>70,905,384</u>
Total Liabilities and Fund Balances	<u>\$ 72,387,110</u>	<u>\$ 987,358</u>	<u>\$ 550,641</u>	<u>\$ 73,925,109</u>

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**BUILDING SUB-FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	2004 General Obligation Bond	1998 General Obligation Bond	Surplus Property	Total Building Fund
REVENUES				
Other local sources	\$ 250,450	\$ 3,602	\$ 721,018	\$ 975,070
EXPENDITURES				
Current				
Plant services	-	-	86,329	86,329
Facility acquisition and construction	11,687,610	242,795	38,459	11,968,864
Debt service				
Principal	-	-	389,322	389,322
Total Expenditures	11,687,610	242,795	514,110	12,444,515
Excess (Deficiency) of Revenues Over Expenditures				
	(11,437,160)	(239,193)	206,908	(11,469,445)
OTHER FINANCING SOURCES				
Transfers in	1,953,259	-	-	1,953,259
Other sources	-	-	60,860	60,860
Net Financing Sources	1,953,259	-	60,860	2,014,119
NET CHANGE IN FUND BALANCES				
Fund Balances - Beginning	(9,483,901)	(239,193)	267,768	(9,455,326)
Fund Balances - Ending	79,163,495	1,035,426	161,789	80,360,710
Fund Balances - Ending	\$ 69,679,594	\$ 796,233	\$ 429,557	\$ 70,905,384

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014**

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	COP Facilities Fund
ASSETS				
Deposits and investments	\$ 1,557,476	\$ 1,268,805	\$ 8,580,149	\$ 1,430,196
Receivables	76,159	875	11,968	-
Due from other funds	-	126,720	-	-
Stores inventories	113,012	-	-	-
Total Assets	\$ 1,746,647	\$ 1,396,400	\$ 8,592,117	\$ 1,430,196
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 77,909	\$ -	\$ 536,137	\$ -
Due to other funds	-	51,757	9,948	-
Unearned revenue	78,543	-	-	-
Total Liabilities	156,452	51,757	546,085	-
Fund Balances:				
Nonspendable	113,012	-	-	-
Restricted	1,477,183	-	8,046,032	1,430,196
Committed	-	1,344,643	-	-
Total Fund Balances	1,590,195	1,344,643	8,046,032	1,430,196
Total Liabilities and Fund Balances	\$ 1,746,647	\$ 1,396,400	\$ 8,592,117	\$ 1,430,196

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Financing Authority Debt Service Fund	Non-Major Governmental Funds
\$ 448,144	\$ 1,625,589	\$ 9,598,351	\$ 67,304	\$ 24,576,014
437	1,253	6,974	-	97,666
-	-	-	-	126,720
-	-	-	-	113,012
<u>\$ 448,581</u>	<u>\$ 1,626,842</u>	<u>\$ 9,605,325</u>	<u>\$ 67,304</u>	<u>\$ 24,913,412</u>
\$ -	\$ -	\$ -	\$ -	\$ 614,046
-	-	-	-	61,705
-	-	-	-	78,543
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>754,294</u>
-	-	-	-	113,012
448,581	1,626,842	9,605,325	67,304	22,701,463
-	-	-	-	1,344,643
<u>448,581</u>	<u>1,626,842</u>	<u>9,605,325</u>	<u>67,304</u>	<u>24,159,118</u>
<u>\$ 448,581</u>	<u>\$ 1,626,842</u>	<u>\$ 9,605,325</u>	<u>\$ 67,304</u>	<u>\$ 24,913,412</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	COP Facilities Fund
REVENUES				
Local Control Funding Formula	\$ -	\$ 600,000	\$ -	\$ -
Federal sources	3,082,798	-	-	-
Other State sources	196,963	-	-	-
Other local sources	2,010,467	3,214	361,809	1,120,218
Total Revenues	5,290,228	603,214	361,809	1,120,218
EXPENDITURES				
Current				
Pupil services:				
Food services	4,727,100	-	-	-
Administration:				
All other administration	223,475	-	9,948	-
Plant services	371,613	51,757	9,733	-
Facility acquisition and construction	52,014	26,052	796,895	-
Debt service				
Principal	-	-	-	605,000
Interest and other	-	-	-	515,218
Total Expenditures	5,374,202	77,809	816,576	1,120,218
Excess (Deficiency) of Revenues Over Expenditures	(83,974)	525,405	(454,767)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Other sources	-	-	-	-
Transfers out	-	-	-	-
Net Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(83,974)	525,405	(454,767)	-
Fund Balances - Beginning	1,674,169	819,238	8,500,799	1,430,196
Fund Balances - Ending	\$ 1,590,195	\$ 1,344,643	\$ 8,046,032	\$ 1,430,196

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Financing Authority Debt Service Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 600,000
-	-	-	-	3,082,798
1,953,259	-	102,768	-	2,252,990
2,805	3,308	9,854,873	23,165	13,379,859
<u>1,956,064</u>	<u>3,308</u>	<u>9,957,641</u>	<u>23,165</u>	<u>19,315,647</u>
-	-	-	-	4,727,100
-	-	-	-	233,423
-	-	-	-	433,103
474,219	409	-	-	1,349,589
-	3,390	3,912,660	-	4,521,050
-	-	5,634,649	-	6,149,867
<u>474,219</u>	<u>3,799</u>	<u>9,547,309</u>	<u>-</u>	<u>17,414,132</u>
<u>1,481,845</u>	<u>(491)</u>	<u>410,332</u>	<u>23,165</u>	<u>1,901,515</u>
-	771,592	-	-	771,592
-	-	10,913	-	10,913
(1,953,259)	-	-	-	(1,953,259)
<u>(1,953,259)</u>	<u>771,592</u>	<u>10,913</u>	<u>-</u>	<u>(1,170,754)</u>
(471,414)	771,101	421,245	23,165	730,761
919,995	855,741	9,184,080	44,139	23,428,357
<u>\$ 448,581</u>	<u>\$ 1,626,842</u>	<u>\$ 9,605,325</u>	<u>\$ 67,304</u>	<u>\$ 24,159,118</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND
CHANGES OF FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

(Amounts in thousands)

	Actual Results for the Years					
	2013-2014		2012-2013		2011-2012	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 6,055	4.1	\$ 6,354	4.4	\$ 10,265	6.9
State and local revenue included in						
Local Control Funding Formula	116,108	78.2	98,721	68.1	99,868	67.2
Other State revenue	13,771	9.3	24,604	17.0	24,680	16.6
Other local revenue	3,754	2.5	5,683	3.9	4,417	3.0
Tuition and transfers in	8,769	5.9	9,642	6.6	9,382	6.3
Total Revenues	<u>148,457</u>	<u>100.0</u>	<u>145,004</u>	<u>100.0</u>	<u>148,612</u>	<u>100.0</u>
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	68,528	46.2	71,352	49.2	71,008	47.8
Classified salaries	24,789	16.7	24,811	17.1	24,913	16.8
Employee benefits	39,368	26.5	40,662	28.0	40,798	27.5
Total Salaries and Benefits	132,685	89.4	136,825	94.3	136,719	92.1
Books and supplies	3,434	2.3	3,244	2.2	3,919	2.6
Contracts and operating expenses	11,928	8.0	11,890	8.2	11,930	8.0
Other outgo	-	0.0	218	0.2	(145)	(0.1)
Capital outlay	1,286	0.9	834	0.6	461	0.3
Debt service	-	0.0	-	0.0	187	0.1
Total Expenditures	<u>149,333</u>	<u>100.6</u>	<u>153,011</u>	<u>105.5</u>	<u>153,071</u>	<u>103.0</u>
Excess of Revenues Over (Under) Expenditures	(876)	(0.6)	(8,007)	(5.5)	(4,459)	(3.0)
OTHER FINANCING SOURCES (USES)	2,261	1.5	(855)	(0.6)	(762)	(0.5)
INCREASE (DECREASE) IN FUND BALANCE	1,385	0.9	(8,862)	(6.1)	(5,221)	(3.5)
FUND BALANCE, BEGINNING	11,768		20,630		25,851	
FUND BALANCE, ENDING	<u>\$ 13,153</u>		<u>\$ 11,768</u>		<u>\$ 20,630</u>	

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option funds and the Medi-Cal Administrative Activities that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balance:		\$ 9,324,917
Medi-Cal Administrative Activities	93.778	122,484
Medi-Cal Billing Option	93.778	368,532
Total Schedule of Expenditures of Federal Awards		<u><u>\$ 9,815,933</u></u>

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Building Sub-Funds – Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance

The Building Sub-Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual sub-funds that have been included in the Building Fund column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

Non-Major Governmental Funds – Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

General Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Simi Valley Unified School District
Simi Valley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Simi Valley Unified School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Simi Valley Unified School District's basic financial statements, and have issued our report thereon dated December 15, 2014.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 1 and 15 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Simi Valley Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Simi Valley Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Simi Valley Unified School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Simi Valley Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Simi Valley Unified School District in a separate letter dated December 15, 2014.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 15, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board
Simi Valley Unified School District
Simi Valley, California

Report on Compliance for Each Major Federal Program

We have audited Simi Valley Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Simi Valley Unified School District's (the District) major Federal programs for the year ended June 30, 2014. Simi Valley Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Simi Valley Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Simi Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Simi Valley Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Simi Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Simi Valley Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Simi Valley Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Simi Valley Unified School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 15, 2014



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Simi Valley Unified School District
Simi Valley, California

Report on State Compliance

We have audited Simi Valley Unified School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* that could have a direct and material effect on each of the Simi Valley Unified School District's State government programs as noted below for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Simi Valley Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Simi Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Simi Valley Unified School District's compliance with those requirements.

Unmodified Opinion on Each of the Programs

In our opinion, Simi Valley Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2014.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Simi Valley Unified School District's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	10	Yes
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No, See Below
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

We did not perform testing for the California Clean Energy Jobs Act because no expenditures were noted in the current year for the funds that were received.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 15, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I Part A, Cluster</u>
<u>93.778</u>	<u>Medicaid Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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SIMI VALLEY UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

There were no audit findings reported in the prior year's schedule of financial statement findings.



Governing Board
Simi Valley Unified School District
Simi Valley, California

In planning and performing our audit of the financial statements Simi Valley Unified School District (the District), for the year ended June 30, 2014, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent a condition noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 15, 2014, on the financial statements of Simi Valley Unified School District.

2013-2014 OBSERVATIONS AND RECOMMENDATIONS

SANTA SUSANA HIGH SCHOOL

Expenditure Preapproval – Associated Student Body (ASB)

Observation

In reviewing the cash disbursement procedures at the site, we noted that 28 of 40 disbursements tested were missing preapproval. Expenditures are being incurred before the Student Council approves them.

Recommendation

Education Code Section 48933 requires that ASB funds be spent with preapproval of three people: an employee or official of the school district designated by the governing board, the ASB advisor (must be a certificated employee), and a student representative of the ASB organization.

CASH DISBURSEMENTS APPROVAL – ASB

Observation

In reviewing the cash disbursement procedures at the site, we noted that two of 40 disbursements tested were missing approval on the "Purchase Requisition". Additionally, backup for an expenditure made out to the ASB Advisor was not provided at the time of the audit.

Recommendation

Expenditure approval should always be documented on the "Purchase Requisition" by the signatures of the student representative, advisor and site administrator, and noted in the club meeting minutes.

DISBURSEMENTS MISSING INVOICE – ASSOCIATED STUDENT BODY

Observation

Disbursements are not always adequately supported by proper documentation. We noted two out of 40 disbursements tested were missing an invoice.

Recommendation

All disbursements should be accompanied by invoices and signed receiving documentation. This reduces the risk of unauthorized spending, and items being paid for and not received.

PROHIBITED EXPENDITURES – ASSOCIATED STUDENT BODY

Observation

During disbursement testing auditor noted expenditures which may not generally be considered as an allowable expenditures by the ASB.

Recommendation

The District should be aware of expenditures which may be considered the responsibility of the District, or not directly promoting the general welfare, morale, or educational experience of students.

REVENUE POTENTIAL FORMS – ASSOCIATED STUDENT BODY

Observation

The revenue potential forms are not being performed for fundraising activities.

Recommendation

A revenue potential form is a mechanism that can help with this task and account for a fund raiser's financial activity. This form serves as a sales plan that includes expected sales levels, sale prices per unit, expected cost, and net income; thus it assists with planning and budgeting. Because *Education Code* Sections 48932 and 7062 require that the governing board approve fund-raising events, a revenue potential form can also be the document that is compiled and submitted to the board or board designee for approval. It can also serve as an internal control because most external auditing firms will indicate audit findings if some form of revenue reconciliation is not done for each fund-raiser. The form can also serve as the document to ensure that the site administrator is informed and approves of all fund-raising activity at the site.

PROHIBITED ACCOUNTS – ASSOCIATED STUDENT BODY

Observation

In reviewing the financial statements for the student body accounts we noted three non-club accounts for which explanation of balance and purpose was not given:

- Hardship Donations Accounts
- Ambivalent Funds
- Gift Account

Recommendation

Associated Student Body accounts are often found to contain funds that have been deposited for a site's administrator, teacher or as a type of discretionary account. Associated Student Body funds are to benefit the students. Site needs to determine the purpose of accounts to confirm if they should be included as Student Body funds.

CHANGE FUND – ASSOCIATED STUDENT BODY

Observation

It was noted that \$400 Petty Cash Set-up fund for the Student Store is not reflected on the Balance Sheet.

Recommendation

Change fund needs to be included as a current asset on the financial statements.

INVENTORY – ASSOCIATED STUDENT BODY

Observation

The Associated Student Body does not performed periodic inventory count.

Recommendation

According to the policies and procedures outlined in the "Accounting Procedures for Student Body Organizations", prepared by the California Department of Education, a physical inventory should be taken quarterly under supervision of the student store advisor. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associated Student Body of the site.

Governing Board
Simi Valley Unified School District

SUSPENSE ACCOUNTS – ASSOCIATED STUDENT BODY

Observation

The Associated Student Body is used by the District to collect testing fees, library funds, class donations, etc.

Recommendation

According to the 2012 FCMAT manual "Associated Student Body accounts are not and should not be used as pass-through or clearing accounts. Money should only be deposited into Associated Student Body accounts if it is Associated Student Body funds and will be used for appropriate ASB purposes".

We will review the status of the current year comments during our next audit engagement.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 15, 2014